Incoming
MC3560-11
cc; leslie

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Kennecott Utah Copper
A member of the RIO TINTO Group

July 31, 2008

Ms. Dana Dean, Associate Director - Mining
Division of Oil, Gas & Mining
Utah Department of Natural Resources
P.O. Box 145801
Salt Lake City, Utah 84114 – 5801

3:10 pm PAB

RECEIVED
AUG 0 5 2008
DIV. OF OIL, GAS & MINING

Re: Molybdenum Autoclave Process (MAP)

Dear Ms. Dean;

Thank you for meeting with the Kennecott representatives June 3, 2008 to learn more about Kennecott's upcoming construction and operation of a molybdenum autoclave process ("MAP"). We appreciate the opportunity to ensure that the Division of Oil, Gas & Mining (UDOGM) is apprised of operational developments at Kennecott even when (as is the case in this situation) those developments do not trigger a corresponding formal notice obligation or permit modification requirement.

As we discussed, the MAP facility will add a new molybdenum processing step at Kennecott's operations that will (through application of heat, pressure and chemicals) transform the molybdenum concentrate into its finished saleable form. Kennecott plans to begin construction this fall (October) with MAP completion and operation targeted for the spring (May) of 2010.

The following is intended to provide a "recap" of the information covered at the referenced meeting. The power point slides relied on at the meeting are attached to this letter, and depict (1) the anticipated location of the MAP; (2) a schematic of the planned revisions to the existing molybdenum process flows; (3) a plan view of the MAP; and (4) a summary of the UDOGM permitting and the MAP Complex.

The following reviews information related to the same.

1. KUC believes the appropriate interpretation of the Act is that the MAP facilities and operations would not be "mining operations" subject to UDNR-DOGM jurisdiction as:

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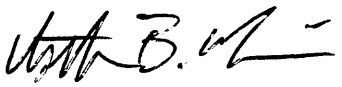
a. In the definition of "mining operations" in the Mined Land Reclamation Act, "autoclave" operations are not specifically addressed, either in the list of "primary processing" operations (which are subject to UDNR-DOGM jurisdiction) or the list of specifically exempted operations like smelting and refining (which are not subject to UDNR-DOGM jurisdiction)
b. Surface disturbing operations which relate to the primary processes of "development and extraction of a mineral deposit" (up to and including onsite concentration and milling) are subject to UDNR-DOGM jurisdiction while downstream operations which transform the milled and concentrated mineral into a finished saleable product (like smelting and refining) are not subject to UDNR-DOGM jurisdiction
c. The place to draw the "primary process" line (for both copper and molybdenum) is the Copperton Concentrator (UDNR-DOGM #M/035/011) as the concentrator mills and concentrates the ore but leaves the minerals of interest (copper sulfide and molybdenum sulfide, or molybdenite) in essentially the same form as they exist in place
d. Downstream of the concentrator these concentrated minerals must be further processed and transformed (through application of heat, pressure and chemicals) into their finished saleable form
e. This final processing step is currently performed at remote locations by third parties using a less efficient process; the MAP project will bring this processing step under direct KUC control, in an optimized process at a location near KUC's other final processing facilities (refinery and smelter)
f. KUC believes that the MAP operations, which will use heat, pressure and chemicals to transform molybdenite concentrate into a saleable product, are not appropriately characterized as "primary processing" for purposes of UDNR-DOGM jurisdiction and will not require any submittals

2. Copperton Concentrator (Permit M/035/011) KUC understands that the addition of a new molybdenum concentrate storage tank and decommissioning of some existing molybdenum facilities at the Copperton Concentrator will require submittal of a form MR-REV for the Concentrator permit (M/035/011)
3. Existing concentrate delivery lines from the Copperton concentrator to the smelter will be utilized for delivery of molybdenum concentrate to MAP. Our position is that these (concentrate) lines are not subject to UDNR-DOGM jurisdiction per Part 1.c and Part 1.d above. This position is also considered with prior permitting activities, as reflected by the fact that the existing concentrate lines were not included in the Copperton Concentrator permit or reclamation cost estimate.

As we discussed, and consistent with UDOGM's statements at the meeting, KUC does not believe the proposed new MAP facilities will require any UDOGM submittals or approvals with the exception of the submittal of a Form MR-REV at the Copperton Concentrator. Since KUC will need to proceed with its schedule commitments and the ongoing MAP planning, we assume additional questions, if any, relative to these permit issues will be raised as soon as possible. If Kennecott does not hear otherwise, it will proceed consistent with our discussions and the summary information identified herein. Thank you again for your time.

Please contact me should you have any questions concerning this correspondence.

Sincerely;



Chris Kaiser
Principal Advisor – Environmental Operations Support

Molybdenum Autoclave Process (MAP) Complex

UDNR-DOGM Briefing

June 3, 2008

Agenda

Introductions

MAP Discussion

- Relationship to Sustainable Development
- Location
- Background
- Process
- Schedule
- UDOGM Permitting

Rio Tinto & KUC each have a focus on value creation supported by a commitment to sustainable development

The MAP is expected to achieve approximately 7% improved molybdenum recovery over existing technologies

Additional sustainable development features associated with the MAP include creation of new jobs and utilization of energy efficient plant design, specifically steam recovery & recycle, and premium efficiency motors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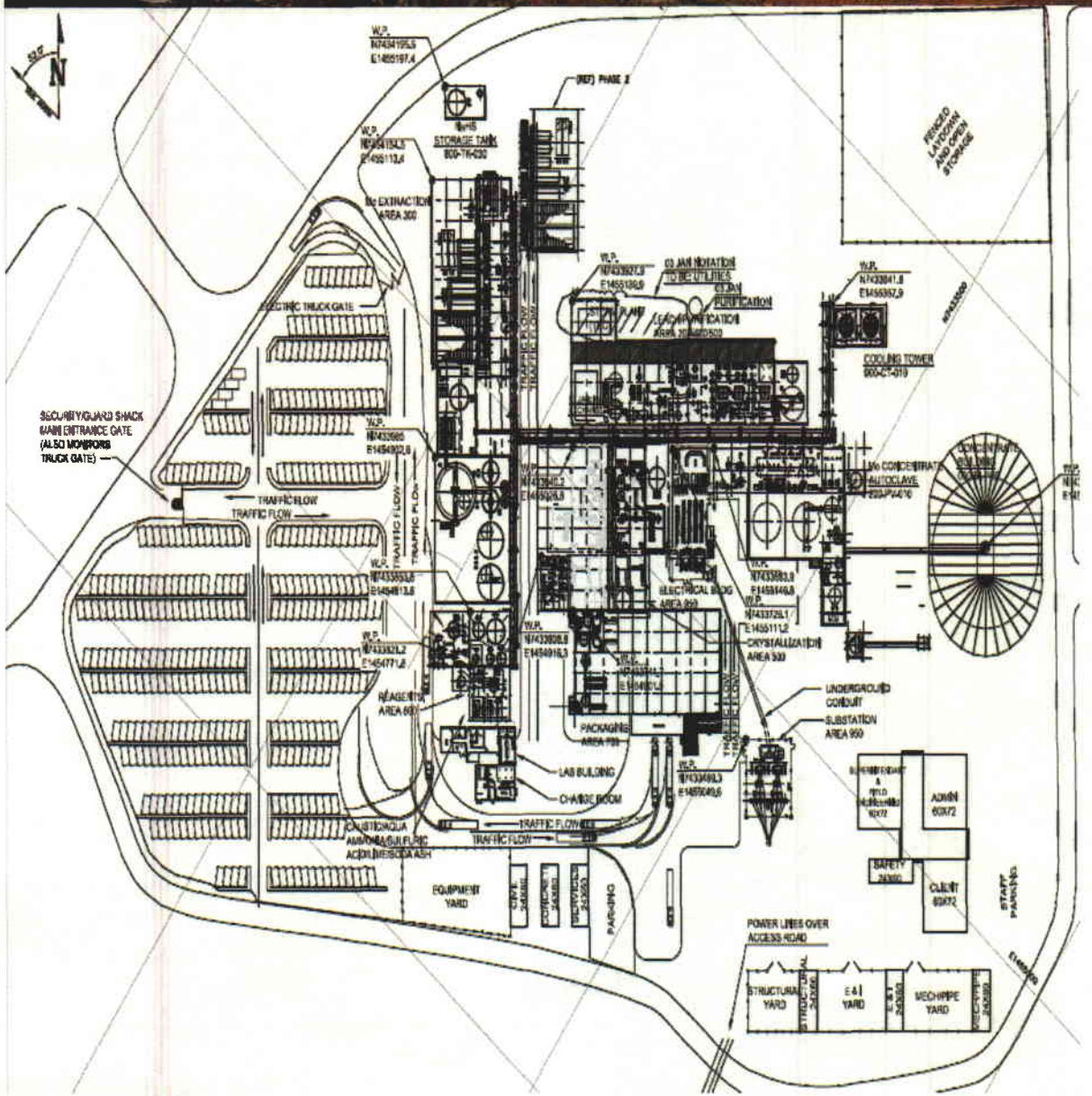
Smelter Return Canal
State Highway 202
Tailings Impoundment
Kessler Spring
State Highway 201
Sewage Treatment Plant
Proposed MAP Location
Refinery



KUC developed a autoclave leach process to upgrade molybdenite concentrate containing high levels of copper and other minerals to marketable grade molybdenum products

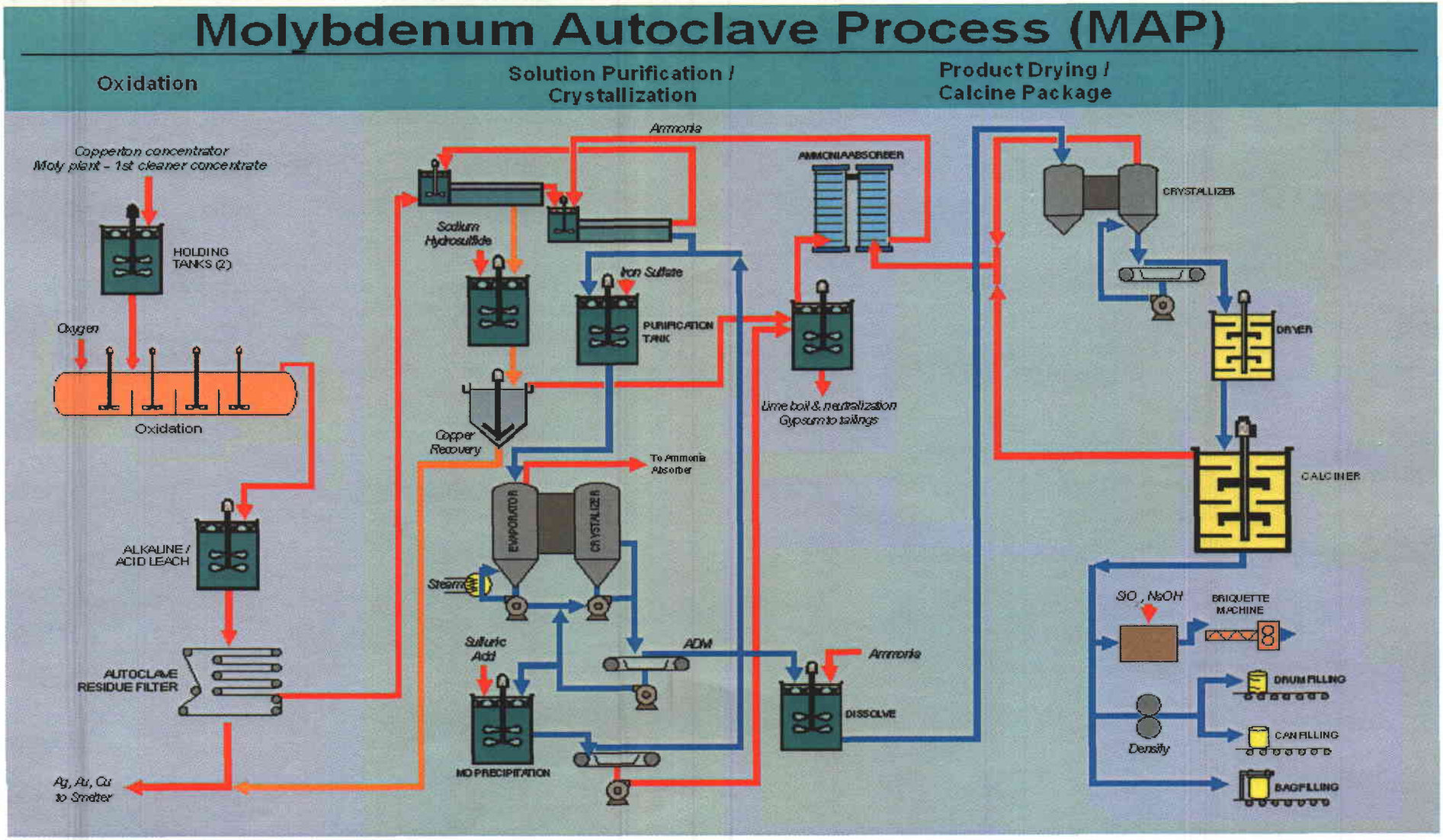
MAP will receive low-grade molybdenite concentrate from the Copperton concentrator and oxidize all of the sulfides to their respective oxides

The resulting molybdenum oxides are dissolved and the molybdate solution is then purified through a series of steps, which include leaching, solvent extraction, ferric sulfate precipitation, and crystallization

Some produced ammonium Di-molybdate, or ADM, (as much as 17%) is simply dried and sold as ADM. The remaining ADM is dried and then calcined to form molybdenum trioxide.

Final products are packaged according to customers' requirements

Molybdenum Autoclave Process (MAP)



Construction Fall 2008
Commissioning June 2010

UDNR-DOGM Permitting and the MAP Complex

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Copperton Concentrator (Permit M/035/011)

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